ICC STATEMENT ON

Related Tax Measures in Response to Covid-19

At a critical time, as the world fights against the COVID-19 crisis, governments around the world are putting in place measures to address the unprecedented health, social and economic impacts of the pandemic. The G20, along with the World Health Organization, the International Monetary Fund, World Bank Group, United Nations and other international organisations, are mobilised to take active steps to overcome the pandemic, and the International Chamber of Commerce (ICC) is collaborating as a trusted business advisor with many of these engaged stakeholders.

ICC welcomed steps to fight COVID-19 and stem human and economic losses at the conclusion of the virtual G20 Summit held on 26 March 2020, including the G20's commitment to ease the flow of essential medical equipment and maintain a bold and large scale fiscal stimulus in the global economy. ICC has written to G20 Trade Ministers with a roadmap for G20 countries to use trade policy to fight COVID-19 and rebuild the future: namely, to speed the health response to COVID-19, to keep trade flowing to restore growth and safeguard jobs, and to maintain momentum on reform of the trading system.

Countries around the world are implementing economic and fiscal policy stimuli, including emergency tax measures to support their economies under the COVID-19 pandemic. The Organisation for Economic Cooperation and Development (OECD) has also developed targeted and temporary tax policy and tax administration measures governments could consider as part of their immediate response as well as a compilation of all tax measures already taken by governments in response to the pandemic.

ICC highlights a number of key considerations and measures in this context, which would be instrumental in supporting businesses as they adapt their operations in an effort to address the challenges presented by the crisis.

TAX POLICY IMPLICATIONS AND MEASURES

> COVID-19 is having a significant adverse impact on international trade, with economic activity falling sharply in many countries. The G20 has committed to using all available policy tools to minimise the economic and social damage from the pandemic, restore global growth, maintain market stability and strengthen resilience. The global nature of the pandemic and the complexity of the economic consequences require an extraordinary fiscal response as well as ongoing coordination and review within the G20.

> In the area of international taxation policy, **policymakers should urge governments to avoid imposing unilateral taxes that adversely impact cross-border business**. Governments should be encouraged to avoid any unilateral actions, such as digital service taxes (DSTs), advertising taxes, etc. that effectively act as trade barriers for non-residents, and to repeal all unilateral actions currently in place. Considering the long road to recovery, governments should commit to support the continued work of the Organisation for Economic Co-operation and Development (OECD) on digital trade. Co-ordinated global efforts help to promote harmonisation in international tax policy, reduce double taxation and provide increased tax certainty for businesses.

> Furthermore, the **OECD should consider the impact of the COVID-19 crisis with respect to ongoing work in the Pillar 1 and 2 proposals for the taxation of the digitalised economy.** Consequences related to scope and impact on certain business models, such as consumer-facing businesses, which are likely suffering more acutely from the COVID-19 crisis, should be considered.

- In response to COVID-19, there have been voluntary and involuntary changes in workforce locations. **It would be useful if policymakers in i) determining whether a permanent establishment (PE) has been established, ii) assessing employee individual tax liabilities, and iii) assessing employer tax liabilities, could treat employees as continuing to work in their original location and set aside any changes in location related to COVID-19.** It is important to note that simply working from home may result in work being performed in a different jurisdiction. Therefore, there should be no impact on corporate income taxation (PE), payroll taxes, individual taxes, or VAT on cross border services.
- Companies have postponed Board-related travel, and Board Members are conducting virtual meetings from their home locations, which could have an impact on corporate residency if the jurisdiction looks to the place of management and control. In these cases, the **change in place of management and control as a result of COVID-19 should be disregarded**.

TAX ADMINISTRATION/GOVERNMENT MEASURES

- Most companies are focused on workforce protection/support (in some instances, reducing headcount which has resulted in limited capacity), and supply chain assurance. During this crisis period, compliance with new or changing regulations (particularly in transactional taxes, DST's, etc.) may be more challenging, or efforts to comply could create another obstacle to economic activity. Whilst changing effective dates could likely cause more confusion, **it would be helpful for tax administrations to provide an assurance of relief from penalties and interest for compliance gaps during this time (or prove that COVID-19 de facto represents 'reasonable cause' where that is the standard)**.
- **Delayed implementation of a limited list of new measures that are specifically related to reporting, or additional documentation requirements**, e.g. EU Mandatory Exchange of automatic information in relation to portable cross-border arrangements (DAC6) or any expanded country-by-country reporting (CBCR) requirements, **would be helpful**. Implementation of the new measures would impose a significant administrative burden, particularly for companies working remotely during the crisis.
- Governments could consider a range of **measures to give companies flexibility to contribute to ameliorating the effects of COVID-19**, including:
  - **Providing standardised incentives for companies to make product contributions/ donations of essential products** during the COVID-19 crisis period. At minimum, there should be no tax cost and a deduction equal to cost of goods sold (COGs) for companies on product contributions/donations.
  - **Providing tailored incentives to further support e.g. virology, vaccines and diagnostics manufacturing and R&D investments**, such as grants policy, credits, innovation boxes and immediate expensing.
  - **Eliminating trade restrictions/barriers that impact the flow of essential products necessary for countries to cope with the crisis**, such as irregular taxes on the import of some essential products (such as soap, disinfectants, etc.).
  - **Implementing incentive mechanisms during the COVID-19 crisis such as a tax-free wage relief for employees that are required to perform critical services in essential sectors**, which place them at greater exposure/risk, as well as require extended working hours.
- While all businesses will be affected by the pandemic, **small- and medium-sized businesses (SMEs) will be particularly challenged** and in this regard governments could consider
  - **Flexibility in extending deadlines for tax filing/payments** during the COVID-19 crisis period. **Deferral or waiving of tax payments** – both direct (corporate income tax) and indirect (VAT) taxes during the crisis period would be particularly useful for small businesses in improving their liquidity, as they currently face severe cash flow problems

as a result of reduced consumption, a break in supply chains, increasing customs processing times, etc.

- **Expedited tax refunds and temporary tax reductions** to help relieve the stress on cash flow, particularly for SMEs.

ICC remains committed to providing expertise and leveraging its broad network of 45 million businesses to support measures to enable a coordinated global response to effectively contain the potential human and economic toll of the COVID-19 pandemic.